

Office Supreme Court, U. S.
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IN THE
SUPREME COURT OF THE
UNITED STATES

OCTOBER TERM, 1926.

No. 174.

CARL FRANC ADOLF OTTO INGENOHL,
Petitioner,

vs.

WALTER E. OLSEN & COMPANY, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE SUPREME COURT OF
THE PHILIPPINE ISLANDS.

BRIEF FOR RESPONDENT.

FREDERIC R. COUDERT,
FREDERIC R. COUDERT, JR.,
ALLISON D. GIBBS,
Counsel.

INDEX.

	PAGE
Nature of the Case	1
Statement of Facts	1
Defendant's Contentions	4
Argument	6
<p>POINT I.—The jurisdiction here must be founded upon the statutory amount, as appears from the stipulated facts, no statute, treaty or clause of the Constitution of the United States is in any way involved</p>	
	6
<p>POINT II.—The Philippine Court was justified in re-examining upon the merits the Hong-kong judgment</p>	
	12
<p>POINT III.—Section 311 of the code is not in conflict with the Organic Act or with the International Comity of the United States. It lay within the power of the Philippine jurisdiction to adopt for its own territory and within its own domain any rule or doctrine that it chose in regard to the efficacy of foreign judgments</p>	
	17
<p>POINT IV.—The Philippine Supreme Court was justified in holding the judgment of the Hong-kong Court "a clear mistake of law or fact"</p>	
	19
<p>Conclusion</p>	
	28
<p>Appendix "A"</p>	
	29

INDEX OF CITATIONS.

	PAGE
Adams v. Russell, (229 U. S. 353)	11
American Law Institute, Proceedings, 1926	11
Baglin v. Cusenier Co., (156 Fed. 1016)	23
Baglin v. Cusenier Co., (221 U. S. 580)	21, 22, 23
Bourjois & Co. v. Katzel, (260 U. S. 689)	25
Central Trust Co. v. Garvan, (254 U. S. 554)	28
Cowans v. Ticonderoga Co., (127 Misc. Rep. 898)	13, 14
Falk v. American West Indies Trading Co., (180 N. Y. 445)	25
Federal Statutes Annotated (1919, Supp. 355) ..	8
Freeman, Judgments, (4th Edition, §149)	13
Hanover Star Milling Co. v. Metcalf, (240 U. S. 403, 413)	25
Hilton v. Dickinson, (108 U. S. 165)	7
Hilton v. Guyot, (159 U. S. 113)	13
Ingenohl v. Olsen, (155 North China Herald, 154 N. S. App. A)	3
Institut de Droit International (Annuaire, 1914)	12
International News Service v. Associated Press (248 U. S. 215, 236)	9
James & Co. v. Second Russian Insurance Co., (239 N. Y. 257)	21
Johnson v. Transatlantic Co., (242 N. Y. 381) ...	13
Judicial Code (Sections 7, 8)	7
Koppel v. Orenstein & Koppel (289 F. 446)....	25
Mumm & Co.'s Application, (39 R. P. C., 379)..	23, 24

	PAGE
Organic Act (39 Stat. L., 545)	17
Philippine Commission Act (Section 311)10, 11, 12, 13, 14, 15, 16, 17, 19	
Phoenix Ry. Co. v. Landis, (231 U. S. 578)	18
Piggott, Exterritoriality, (p. 261)	18
Rey v. Lecouturier, (1910 A. C. 362)	21
Tootals Trust, (23 Chancery D. 532-542)	3
Trade Mark Act of February 20, 1905 (33 Stat. 728)	8
Trade Mark Cases, (100 U. S. 82)	9
Trading with the Enemy Act	2, 4, 8, 9
Western Union Telegraph v. Ry., (178 U. S. 243)	11
Westlake, Private International Law, (§329) ..	17

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WALTER E. OLSEN & COMPANY,
INC.,
Respondent.

BRIEF FOR RESPONDENT.

Nature of the Case.

This case is before the Court on certiorari, granted October 12, 1925, to review a final judgment of the Supreme Court of the Philippine Islands that the petitioner (plaintiff below, and hereinafter termed plaintiff) could not recover of respondent (defendant below and hereinafter termed defendant) the sum of \$26,244.23 Hongkong currency (approximately \$16,000 U. S. currency.)

Statement of Facts.

(Agreed Statement R. 143-157).

Respondent is a Philippine corporation engaged in the business of manufacturing and exporting cigars in Manila, 95% of its product being sold in the Far East,

to wit, China, Hongkong, Federated Malay States and Straights Settlements.

Defendant acquired the plant and business it now operates by deed of the United States Alien Property Custodian dated January 25, 1920, the property having been taken over in 1918 from plaintiff in conformity with the provisions of the Trading with the Enemy Act. After acquisition respondent continued the business as theretofore, *i. e.*, the manufacture and export of cigars under the original trademarks.

Plaintiff subsequently brought suit in the Supreme Court of the British Colony of Hongkong to enjoin use by respondent of trademarks theretofore exclusively used in the business.

After instituting suit, but prior to judgment, plaintiff in December, 1920 and March, 1921, having made claim therefor under section 9 of the Trading with the Enemy Act, received from the Alien Property Custodian and receipted for the sum of \$1,511,124.50, being the equivalent with interest of the purchase price of the property sold to defendant as aforesaid.

At the time plaintiff accepted the proceeds of sale from the Custodian he knew that defendant had been selling the product of its factory in the old markets under the original tradenames and trade-marks.

The trade marks referred to in the Hongkong decree depicted scenes and public monuments in the Philippine Islands. They appear in the record and are fully described (R. 185-189).

Thereafter, in May, 1922, the Supreme Court of Hongkong rendered judgment declaring plaintiff to be sole proprietor of the trade-marks there in issue, enjoining defendant's continued use thereof and taxing costs against defendant in the sum of 26,244.23 dollars, Hongkong currency, the equivalent in U. S. currency being less than \$16,000.

Plaintiff thereupon commenced an action in the Court of First Instance for the City of Manila for the sole purpose of recovering the costs taxed in the Hongkong decree, and obtained judgment therefor (R. 2-4). On appeal the judgment was reversed, the Supreme Court of the Philippine Islands holding that the Hongkong decree was clearly erroneous and should not be followed in the Philippine Islands (R. 258).

In a similar suit brought by plaintiff in the British Consular Court for China in Shanghai, defendant's right to use of the trade-marks for all of China except the Colony of Hongkong was established (155 North China Herald 154 N. S. App. A.) 'An interesting account of British consular jurisdiction is found in Tootals Trust 23 Chancery D. 1, pp. 532-542 (1883).

Thus we have the anomalous spectacle of a British Court in Shanghai reaching conclusions which squarely conflict with those of a British Court in Hongkong, on an identical state of facts. Moreover, the Shanghai Court had before it both the Hongkong decision and that of the Supreme Court of Manila. The material facts set out in this Record are admirably stated in the Shanghai opinion (Appendix A) and they will be here briefly summarized.

From 1882 to 1906 the Manila plant and business now owned by defendant had constituted the sole and entire business of a Belgian corporation. In 1906 said plant and business were transferred to plaintiff and the business continued by him until 1918 under the style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila."

In 1908 plaintiff opened a Hongkong factory for the manufacture and sale of cigars, which were composed in part of tobaccos supplied by the parent factory in Manila and in part of tobacco wrappers imported from Java. *The product of the Hongkong plant was thereafter sold concurrently with the output of the Manila plant*

throughout the Far East under the trade-names and trade-marks except that on one of the outside labels of each box or package containing the output of the Hongkong plant there appeared, in addition to the original Manila trade-marks, the words "*El Oriente Fabrica de Tobaccos Hongkong, Sucursal de la Fabrica en Manila*" (subsidiary of Manila factory).

At no time did plaintiff own or operate factories other than those at Manila and Hongkong.

In 1918 the Alien Property Custodian, pursuant to the requirements of the Trading with the Enemy Act, duly seized and upon sale duly transferred to defendant

"All and singular the property, real and personal, rights, claims, titles, interests, effects and assets of every kind and description whatsoever (except only as specifically reserved and excepted hereinafter), wheresoever situate in the Philippine Islands, and all incidents and appurtenances thereto, including the business as going concern and the good-will, trade names and trade marks thereof, of *Syndicat Oriente*, a company formed under the laws of Belgium with its registered office in Antwerp, Belgium, and heretofore doing business in the Philippine Islands under the name '*El Oriente, Fabrica de Tabacos, C. Ingenohl*.' "

It is conceded on the Record that the seizure was validly made as to all the property described in the deed of transfer which expressly included the trade-marks (R. 21; 145).

Defendant's Contentions.

I. This court is without jurisdiction, because the amount involved was less than the statutory sum required. Neither the Constitution, a treaty, nor a statute of the United States is in question, hence the case must be dismissed for lack of jurisdiction.

II. Assuming that this court, nevertheless, assumes jurisdiction, the Hongkong judgment was not binding and conclusive upon the Philippine court, and the Supreme Court was within its jurisdiction in refusing to hold itself bound by the judgment of the Supreme Court of the Colony of Hongkong. The Philippine jurisdiction, like that of any State or other organized territory of the United States, is entitled either through its statutes, as here, or by its judicial decisions, to determine the precise weight to be given to foreign judgments. The question was within the complete competency of the Philippine courts and involved no conflict with the Constitution, the Federal law nor with any over-riding doctrine of the United States Supreme Court on the subject.

III. Upon the merits of the case the Philippine Supreme Court was correct, as was the British Court in Shanghai, in holding that the defendant in purchasing the Manila business was entitled to the trade-marks inseparable from that business. No question of the authority of the Custodian to seize and sell such business has been, or can be, raised by plaintiff who conceded the validity of the seizure and who claimed and accepted \$1,511,124.50 as the proceeds of such sale.

IV. *On the merits* the sole question turns upon the interpretation to be given to the transfer by the Alien Property Custodian to defendant as *bona fide* purchaser for value from the representative of the United States. The language of the conveyance by which this exporting business was sold to defendant together with the stipulated facts in the case demonstrate that the trade-marks were an integral, essential and dominant element in the Manila business as a going concern and appurtenant thereto. To segregate such trade-

marks was to render the business practically worthless, (95% loss), and to ruin the innocent purchaser who had parted with over \$1,500,000.

V. If plaintiff's contentions be sound, he received more than \$1,500,000 for 5% of his business, while retaining the other 95%. Upon such assumption the leonine nature of the transaction in favor of the plaintiff does not justify the rhetoric sympathy lavished upon him as a poor Belgian in the erudite and forceful brief of his distinguished counsel.

ARGUMENT.

POINT I.

The jurisdiction here must be founded upon the statutory amount, as appears from the stipulated facts, no statute, treaty or clause of the Constitution of the United States is in any way involved.

This is a simple suit upon a judgment for an amount of less than \$16,000 (31,099.46 pesos Philippine currency). Plaintiff contends that costs were given against defendant because the Hongkong court adjudged that he was not the owner of the trade-marks in question and consequently the ownership of the trade-marks is logically involved in the judgment. He thus invokes the jurisdiction not because of the statutory amount but because the *ratio decidendi* involves larger considerations.

Even if this were logically sequent, it is jurisdictionally nonprobative. *The statute is mandatory and fixes as the jurisdictional criterion that "the value in controversy exceeds \$25,000,"* not the potential or possible

value but the actual mathematical coin value. (Secs. 7 and 8 of Act of Feb. 13, 1925, 43 Stat. 940). There was here no other question, because plaintiff admits that the trade-marks in and for the Philippine Islands passed under the assignment of the Custodian. Hence plaintiff was necessarily restricted to the claim for the amount adjudged for costs by the Hongkong judgment.

The precise amount in question being the sole justiciable question, this court is not called upon to exercise jurisdiction; the reasoning of the Hongkong judgment resulting in the \$16,000 costs to the defendant is, jurisdictionally speaking, irrelevant. In the absence of statute, treaty or a constitutional question, the court cannot exercise jurisdiction save where more than \$25,000 is involved. Here the amount demanded is only \$16,000, the counterclaims having been dismissed, are no longer in issue, hence certainly and mathematically the court is without jurisdiction.

Hilton v. Dickinson, 108 U. S. 165.

Waiving, however, this apparently obvious disposition of the jurisdictional question, plaintiff, unless he is prepared to admit that the decision of the Supreme Court of the Philippine Islands has force and effect in Hongkong and in China, cannot claim that the general right to the use of these trade-marks was involved in the Philippine suit. Such a claim would obviously be in contradiction to his major proposition that this is a suit upon a judgment for \$16,000 which judgment must be respected as such.

The argument is, however, made by plaintiff, (brief, p. 10), that the construction of three statutes is involved in the case.

The first statute for which this claim is made is the Trading With the Enemy Act. It is said that this act

"did not authorize the Alien Property Custodian or his representative, acting for the President, to sell trade-marks without having first seized them by filing an order of seizure in the Patent Office at Washington, D. C."

The answer to this suggestion is the reading of the statute. Denuded of unnecessary language not applicable to this case the Trading With the Enemy Act, (40 Stat. 1020), reads as follow:

"(c) If the President shall so require any money or other property including copyrights * * * shall be conveyed, transferred, assigned, delivered * * * to the Alien Property Custodian * * * and disposed of as elsewhere provided in this Act.

"Any requirement made pursuant to this Act * * * *may* be filed, registered or recorded in any office for the filing, registering, or recording of conveyances, transfers, or assignments of any such property rights as may be covered by such requirement (including the proper office for filing, registering, or recording conveyances, transfers, or assignments of patents, copyrights, trademarks, or any rights therein or any other rights); *and if so filed*, registered, or recorded shall impart the same notice and have the same force and effect as a duly executed conveyance, transfer, or assignment to the Alien Property Custodian so filed, registered, or recorded." (Italics ours) (Fed. Stat. Ann.—1919, Suppl. 355.)

The language of the statute, which is too obvious to require construction, demonstrates that the Alien Property Custodian was as to trade-marks *permitted* to register the same when acquired under the Trading With the Enemy Act and such permitted, not compulsory registration, would have the usual effect. In other words, it was a merely permissive and in no way mandatory enactment.

It is elementary that a trade-mark is not created by the registration which is no more than *prima facie* evidence of ownership. (Sec. 16, Trade-Mark Act of Feb. 20, 1905, 33 Stat. 728.)

A trade-mark is a property right and the whole system of "trade-mark property" existed anterior to the Federal Trade-Mark Act. That Act had not created rights, but merely furnished a machinery for more effective protection for antecedently existing rights. In other words, it was a Federal Recording Act, not a legislative enactment giving birth to a new class of property. (*Trade Mark Cases*, 100 U. S. 82. See also *International News Service v. Associated Press*, 248 U. S. 215, 236). Consequently the first statute evoked by plaintiff as conferring jurisdiction speaks for itself in absolute negation of the claim.

It will be noted, moreover, that the Alien Property Custodian duly required to be conveyed and transferred to him the trade-marks in question (R., 145, 21). This was sufficient to vest in him title to the property. (Sec. 7 (c) Trading with Enemy Act amended Nov. 4, 1918.)

Learned counsel for plaintiff, (brief, page 21), states:

"The 'requirement' or order of seizure of trade-marks *shall be filed* in the 'proper' office for the registration and recording of assignments of trade-marks and that if so filed, such an order of seizure shall have the same force and effect as a duly executed assignment of the trade-marks."

This is evidently due to misapprehension or misreading of the statute, as, even assuming the applicability of the Federal statute to the Manila trade-mark, the wording of the statute is "may" while that of the plaintiff's brief is "shall." The one is permissive, the

other is mandatory. The language of the statute does not affect the title received by the assignment from the Alien Property Custodian. The "shall" of counsel might perhaps do so, but we rest our case upon the precise language of the statute as well as the nature of trade-marks, and can find nothing in the context of the "may" or the nature of registration which requires it to be transmuted into a "shall."

Plaintiff further claims that the Organic Act of the Philippine Islands is in conflict with Section 311 of the Code which prescribes the weight to be given to foreign judgments. A recital of this section appears to us to show the claim as wholly fanciful. That statute reads as follows:

"Sec. 311. Effect of other foreign judgments. —The effect of a judgment of any other tribunal of a foreign country, having jurisdiction to pronounce the judgment, is as follows:

1. In case of a judgment against a specific thing, the judgment is conclusive upon the title to the thing.

2. In case of a judgment against a person, the judgment is presumptive evidence of a right as between the parties and their successors in interest by a subsequent title; *but the judgment may be repelled by evidence of a want of jurisdiction, want of notice to the party, collusion, fraud, or clear mistake of law or fact.*" (Italics ours throughout.)

We are unable to discover any foundation for the contention that there is something so anomalous, revolutionary, or unusual in this statute as to place it beyond the power of the Philippine Government to enact. As appears, it was originally taken from the California law, represents the older English doctrine, and is a matter entirely within the competency of any local

jurisdiction, State or Territorial. If we are right in this, the claim of plaintiff that the jurisdiction of the Supreme Court is based upon the invalidity of Section 311 as *ultra vires* is without basis.

A further suggestion is adumbrated in plaintiff's brief that the international comity of the United States is involved. "International comity," a phrase vague, unscientific and by modern jurists repudiated, has never yet served as a basis for declaring invalid a local statute enacted by the local legislature for the territory over which it had jurisdiction. The Philippine jurisdiction constitutes a territorial unit possessing a single body of law, distinct from the law of any other territorial unit. It is in fact a state in the conflict of laws sense. (Proceedings of the American Law Institute, 1926.)

It is submitted that the three foregoing questions raised by plaintiff are thus wholly without substance and should be disregarded as merely colorable attempts to raise jurisdictional questions.

Adams v. Russell, 229 U. S. 353; and
Western Union Tel. v. Ry., 178 U. S. 243.

It therefore appears plain that the only question necessarily involved in this controversy is as to whether plaintiff is entitled to \$16,000, since in no event, could the Philippine court have awarded him more than that. There is then involved no question of any statute or treaty and past decisions of this court have indicated the tendency not to be astute in discovering possible reasons for the assumption of jurisdiction in Philippine cases where less than the statutory amount was involved.

Plaintiff assumes that

"As this Court granted this certiorari, although its right to do so was challenged in de-

fendant's brief in opposition, we assume that it has already determined this question of its jurisdiction • • •" (Petitioner's brief, p. 11).

We find nothing in the utterances of this court to indicate that the granting of certiorari determines the question of jurisdiction, or any other question which may be raised in the case.

We, therefore, confidently insist that neither statute, treaty, nor the United States Constitution are involved in this case and that in pursuance to the precise language of the statute and the settled judicial policy of this court there exists no jurisdiction to review this decision of the Supreme Court of the Philippine Islands.

POINT II.

The Philippine Court was justified in re-examining upon the merits the Hongkong judgment.

Such judgment was not conclusive as to the merits. The statute upon which the Philippine Supreme Court based its judgment is Section 311 quoted above which provides that a foreign judgment is presumptive evidence, but may be questioned for "clear mistake of law or fact."

The law of foreign judgments is one that has long puzzled not only our courts, State and Federal, but also European judges and jurists. It has been in a formative stage for more than a century. It is only within the last two years that the Institut de Droit International, after debating the question at various sessions extending over a generation, decided to make certain partial recommendations regarding the force to be given to foreign judgments (Annuaire, 1914).

The English courts have given varying decisions, their earlier decisions being in accord with the Philippine statute, their later decisions indicating the view that foreign judgments, where jurisdiction existed and fraud was absent, should be held conclusive. (Freeman on Judgments, 4th Edition, §149.)

The French courts have retained the right to re-examine judgments upon the merits. Many of the nations of Europe have joined in conventions giving special sanction to each others judicial acts. This court, in the famous case of *Hilton v. Guyot*, (159 U. S. 113), after a full review of the authorities, inclined to the doctrine that the force to be accorded foreign judgments should be based upon reciprocity. This doctrine is, we presume, binding upon the lower Federal courts, but it does not constitute a rule of law for the States or Territories of the United States.

The whole question is one of jurisprudence or judicial usage to be determined in each jurisdiction either by statute, or in the absence of statute by judge-made law. The New York courts have recently gone further than this court and have adopted a doctrine more favorable to foreign judgments than that enunciated in *Hilton v. Guyot*, *supra*.

Johnson v. Transatlantic Co., 242 N. Y. 381.
Cowans v. Ticonderoga Co., 127 Misc. Rep. 898.

Other States have taken different views as learned counsel claims: California has now changed its Code from which Section 311 was copied and has adopted a doctrine more in conformity with that of *Hilton v. Guyot*. All of which furnishes infinitely interesting matter for the jurist and student of international private law.

It would of course be desirable to have one rule prevailing in the civilized world; this has been the hope of

legal writers for generations past. Some approximation has been made to this idea, but as yet neither by international treaty, nor by uniformity of State statute, nor Federal legislation, are the States or the Territories bound to any particular doctrine.

The Philippine Government as much as the Government of the State of California or the Province of Quebec (see *Cowans* case *supra*) was entitled to enact into statutory form its own rule as to conflict of laws in reference to foreign judgments. By such statutes its courts are bound. In the absence of such statute they would have been at full liberty to evolve a judicial doctrine of their own which might, or might not, have been in conformity with the doctrine of this court or of that of any other State of the Union.

We have no doubt that even in the absence of statute the question would have been within the complete competency of the courts of the Philippine Islands. These courts are courts of a local Government under the sovereign dominion of the United States. They evolve their own legal doctrines in conformity with their own precedents, whether those of the civil or common law and are not bound, save in Federal matters, by the general jurisprudential doctrines of this court. The authority to be accorded to foreign judgments is, in the absence of statute, a matter to be decided by each local jurisdiction for itself.

We can find no reason or precedent in the history of the Conflict of Laws or in legal analogy for denying to the Government of the Philippine Islands the right, either by statute or through judicial decision, to adopt such rule of law as to foreign judgments as it wills.

Plaintiff may question the wisdom and deride the illegal and archaic character of the doctrine embodied in Section 311, but whether that doctrine is wise or unwise, modern or ancient, out of accord with the later English doctrines or in accord with that of tribunals of

France, Spain, Canada or elsewhere, is not a matter for the determination of this court.

Under Section 311 the court had power to re-examine the merits of the case decided by the Hongkong court because the court, whether by majority or unanimity is immaterial, believed that judgment to be based upon a clear mistake of law or fact.

Plaintiff further seeks to maintain the Hongkong judgment as conclusive on the ground that it deals with a *res* or specific thing, and is hence validated by Paragraph 1 of Section 311 providing that:

“In case of a judgment against a specific thing, the judgment is conclusive upon the title to the thing.”

Interpreting the trade-marks as a “thing” or “*res*” and *then* locating them in Hongkong, counsel draws the ingeniously specious conclusion that the Hongkong judgment was one *in rem* and hence valid throughout the world and consequently in the Philippine Islands.

This subtle argument was apparently not advanced or considered by the British court in Shanghai which, as between the two judgments, held with the Philippine Supreme Court and against its brother court in Hongkong.

Plaintiff's argument is unsound because it assumes the whole question, to wit, the existence of the trade-marks as tangibles or quasi-tangibles separated from the Manila business *and located in Hongkong*, where, like a house or a ship, they became subject to the Hongkong jurisdiction, while the very question in this case is whether these trade-marks belonged to and constituted part of the Manila business sold to defendant by the Alien Property Custodian.

Plaintiff thus by assumption going to the root of the case founds jurisdiction over the trade-marks as

a *res* in Hongkong. This reasoning from a fiction to a fallacy is of course a circle as inadmissible in law as in logic.

The defendant claims to have purchased for \$1,511,124.50 from the Alien Property Custodian a going concern, whose almost entire business consisted in exporting to China and elsewhere cigars manufactured in Manila. The conveyance by which the Alien Property Custodian transferred this property to defendant included "the business as going concern and the good will, trade-marks and trade-names thereof."

The sole question on the merits of this case is whether the business as a going concern and the trade-marks of the Syndicat Oriente included the good will and trade-marks in Hongkong as well as elsewhere, where this company had for years sold its products. The question cannot be resolved by the easy assumption that the goodwill and trade-marks in Hongkong constituted a *res* in that jurisdiction and hence conferred jurisdiction upon the Hongkong court.

Plaintiff claims that:

"The issue in the Hongkong case was the property right in a 'thing' to wit, certain trade-marks and the plaintiff was adjudged to be the owner of the 'title' " (Petitioner's brief, p. 29).

The issue of the Hongkong case was rather as to the effect of the transfer by the Alien Property Custodian: did it actually include the good will and trade-marks of the Manila business? If such good will and trade-marks inhered in the business, (*haerent in ossibus*), they belonged to the defendant. If they were quasi-tangibles situate abroad, the situation might be otherwise. Section 311 cannot be nullified by assuming the Hongkong judgment to have been sound, and then in turn resting the soundness of the Hongkong judgment upon Section 311.

Learned and eminent counsel is thus forced to go the length of claiming Section 311 void "because it was in conflict with the Organic Act and the international comity of the United States."

POINT III.

Section 311 of the code is not in conflict with the Organic Act or with the International Comity of the United States. It lay within the power of the Philippine jurisdiction to adopt for its own territory and within its own domain any rule or doctrine that it chose in regard to the efficacy of foreign judgments.

This matter has been discussed in Point I. It has been shown that the Philippine legislature or the Philippine courts were entirely free to adopt any view regarding foreign judgments that they deemed expedient. The court acted under a statute which had adopted the doctrine formerly prevalent in England (Westlake, Private International Law, §329) and still in conformity with that of some other nations of the civilized world as well as with the older doctrine generally prevailing in the States of the United States.

There is no conflict here with the Organic Act giving to the Philippine Islands general powers of local self-government (39 Stat. L. 545); nor is there any conflict with the Constitution of the United States which under no possible interpretation fixes any criterion by which the courts must be governed in reaching conclusions as to the effect to be given to judgments rendered in foreign nations. No question arises under the Fourth Clause of the Constitution according full faith and credit to the judicial acts of sister States.

Learned counsel forcefully indicates the desirability of giving full faith to the judgments of the courts in the English-speaking world and ably argues for the conclusive effect of a final foreign judgment of the British courts whose learning and intellect have long been the model and the inspiration of the common law world.

Readily conceding the soundness of this fine sentiment, it becomes of less help where British courts differ *inter se*.

The dignity of the Shanghai tribunal which sustained the position of the Philippine Court is not inferior to that of the tribunal of Hongkong; upon appeal the respective judges of three Courts sit in *banc*, and hence we see no over-weaning motive in inclining to the British court which decided in favor of the plaintiff's contentions rather than with that of the equally august court which sided with the defendant's contentions and with the Supreme Court of the Philippine Islands. Both the Hongkong and Shanghai judgments would be foreign judgments in Westminster Hall.

Piggott on Exterritoriality, p. 261.

The merits of this interesting case are now on appeal before the Privy Council of Great Britain, the appeal having run from the Shanghai judgment. Should the Privy Council decide in accordance with the judgment of the Philippine Supreme Court, and should the Philippine Supreme Court be reversed by this court, the situation would be wholly peculiar and anomalous.

The Philippine Supreme Court was interpreting its own statute. Its interpretation of such statute will only in exceptional situations be reviewed by this honorable court (*Phoenix Ry. Co. v. Landis*, 231 U. S. 578). The statute gave power to review the judgment of the

Hongkong court. This power the Supreme Court of the Philippine Islands has exercised, and there is nothing in the Constitution of the United States or in international usage contrary thereto.

"International comity," which indicates the attempt by the courts to find a single law governing a relationship and thus to avoid conflicts, is a judicial doctrine determinable in each jurisdiction by the courts of that jurisdiction in the absence of statutory prescriptions. There is no Federal judicial rule of international comity as to foreign judgments other than the rules adopted by this court or by the other Federal courts which may be binding upon them in purely Federal cases or where there is no local statute or local governing jurisprudence. The Philippine statute cannot be invalidated by the invocation of a proposition of doctrinal jurisprudence.

It is, therefore, obvious that Section 311 was a valid statute, neither unconstitutional nor contrary to the Organic Act of the Philippine Islands, and that the Philippine Supreme Court was governed by it and was authorized to review the judgment in question.

POINT IV.

The Philippine Supreme Court was justified in holding the judgment of the Hongkong Court "a clear mistake of law or fact."

It is insisted by learned counsel for plaintiff that the matter was not "clear" because there was dissent in the Philippine courts. This would appear quite inadmissible. The judgment of the Philippine court, whether by majority or otherwise, has held that there was a clear mistake of law or fact, and it is not for this court to pass upon the precise degree of clarity required

by the statute, or to substitute for the judgment of the Philippine court its own view as to whether or not the mistake was clear. It is sufficient that to a majority of the Supreme Court it appeared "clear" that "the Hongkong judgment" was erroneous.

Assuming the jurisdiction of the Philippine court to weigh the Hongkong judgment on the merits, the factual situation must be taken into account. Without reiterating the statement of facts as set forth in this brief certain salient facts stand forth as demonstrating that the conveyances of the Manila business included the trade-marks. These salient facts are:

(1) That the Manila business was almost wholly an export business, (95%). It had since 1882 operated mainly in the Far East. It had continued to sell the bulk of its output there down to the date of the Hongkong suit. The Hongkong factory was a branch of the Manila factory, and the very trade-marks used in the Hongkong factory denominated it as a branch (succursal) of the Manila business. The transfer of an export business shorn of the rights to export is a mere simulacrum of a sale (R. 147, 150, 151, 154).

(2) That the trade-marks in question were Manila trade-marks depicting Manila scenes and Manila localities. The other trade-mark used by plaintiff while he controlled the Manila business was stamped as "branch of the factory in Manila" (R. 148-151).

(3) That the Manila factory is today producing the same cigars as it produced under the proprietorship of Ingenohl. This was the article which earned from 1882 to 1919 the great reputation for these cigars in China. This is the reputation which the plaintiff is endeavoring since the transfer of the Manila factory to

transfer to his Hongkong factory and its products. *The reputation of the cigars was wholly made by the factory in Manila.* Many millions of these cigars made by this factory have been supplied for sale in China (24 million in one year). The Manila business has been in operation since 1882; the Hongkong branch factory only began in 1910. The labels themselves indicate the continuous manufacture in Manila both graphically and pictorially; *res ipsa loquitur*.

The special attention of this Court is called to the Shanghai judgment, (printed for the convenience of the Court as an appendix to this brief). It was evidently argued with great fullness as counsel consumed seven days in the argument and the court did not think that time too great (Appendix, p. 47).

Plaintiff relies mainly, as did the Hongkong Court upon the decisions of this court and of the English Court of Appeal in the famous Chartreuse Cases.

Baglin v. Cusenier Co., 221 U. S. 580; and
Rey v. Lecouturier, 1910 A. C., 362.

These cases are plainly distinguishable from the case at bar upon the following grounds:

(a) The French statute was a "law of exception and police" directed against certain religious congregations or associations on the ostensible ground that they were plotting the destruction of the Republic and the execution of such legislation constituted "Acts of State." The property of the congregations was ruthlessly taken without compensation. These laws were in their nature, and were held by the French Court to be, strictly and purely applicable to the territory and dealing only with the physical property of the associations aimed at by the confiscatory provisions.

James & Co. v. Second Russian Insurance Co.,
239 N. Y. 257.

(b) The French Court refused to hold that it was intended by the French statute that it should have any effect whatever other than upon the physical property situate in France. (221 U. S. 594-595).

(c) *The product made by the liquidator was not the product of the monks. That product was the resultant of a secret process which remained known only to the monks.* The product of Lecouturier, the liquidator, was not Chartreuse as that had been known to the world heretofore. It would have been a fraud upon the public to allow the liquidator, who was endeavoring to imitate the real liqueur of "la Chartreuse" to impose his article upon the public. Even in France itself the two liqueurs were kept distinctly separate; the one as that of the monks, the other as that made by the liquidator.

The moral and legal conclusions of this fundamental fact were naturally found by this court:

"That business is being conducted according to the ancient process by the Monks themselves. The French law cannot be conceived to have any extra-territorial effect to detach the trade-marks in this country from the product of the Monks, which they are still manufacturing."

* * * * *

"If through his experiments the liquidator had not succeeded in making a liqueur which resembled that of the Monks, he would have had no business to transact so far as the liqueur was concerned and the transfer by operation of law would not have availed to give him one. But the property in the trade-marks in this country did not depend upon the success of the endeavors of the liquidator's experts. *The Monks were en-*

abled to continue their business because they still had the process, and continuing it they enjoyed all the rights pertaining to it, save to the extent to which, by force of the local law, they were deprived of that enjoyment in France." Italics ours.

Baglin v. Cusenier Co., supra.

The same may be said of the results reached by the English Courts and which led the Shanghai Court to say:

"But to my mind the more I read that case both in the Court of Appeal and in the House of Lords, the more I am impressed with the fact that it really turned upon the possession by the monks of a secret process of manufacture which had not been, and in fact could not have been seized or confiscated under the Law of Associations. That secret the monks retained; without it the purchaser of the business from the liquidator could not carry it on. could not in fact deliver the liqueurs made by the monks and sold by them under their marks. The liquidator never had "the business" to sell; the purchasers could not therefore acquire it. And the American Courts held the same, while the strength of this view of the matter was noted by the Judge who tried the case of *Baglin v. Cusenier Co.*, 156 Fed. and 1016."

The Shanghai Court then notes the real analogy between the case at bar and *Mumm & Co's*. Application 39, R. P. C. 379. It was there held that the war legislation of France which transferred the famous Rheims champagne business to *Mumm & Co.* also transferred the good-will of the Company "as far as it related to the export trade" because "indissolubly connected with the French business".

"As regards this question there can be no deception or confusion inasmuch as the Trade-

Marks mean and always have meant that the wine is the manufacture of the firm at Rheims; and this manufacture will be carried on as before by the successors of the business. *There is no secret in the manufacture of champagne, though admittedly much depends upon special traditions and upon knowledge and experience in the selection of grapes, the blending of the wine, the liqueur used, etc. This knowledge and these traditions the Société possess through the records they have obtained in the sale and through the experienced managers and workmen who have remained in their service. The Chartreuse case is consequently not in point, as in that case there was a real secret and the business was held to be one which could only be carried on by a special order of monks possessing that secret."*

Mumm & Co's. Application; supra.

It thus appears that while the liquidator, Leconturier, did not, could not, and did not even claim to make Chartreuse as the monks made it, defendant herein admittedly made the cigars which had always been made by the Manila factory and which had acquired the reputation in question.

The factual difference between the two cases would seem to be of so fundamental a character as to render extended discussion a work of supererogation. The trade-marks in question were an inseparable part of the Manila business. They constituted the main element in the good will of that export business and without these marks that good will ceased to exist. To excise such trade-marks from the sale made to defendant by the Alien Property Custodian must mutilate the business beyond recognition.

If the sale had been made under the explicit condition that the purchaser should have no right to ex-

port the cigars theretofore sold abroad, the mere congeries of buildings and machinery passing under the sale could scarce have sold for any substantial sum. The deed of the Custodian was as complete and effectual as a voluntary transfer by the owner of the business and must have conveyed all trade-marks.

Koppel v. Orenstein & Koppel, 289 F. 446.

Trade-marks such as those in the case at bar are too inseparably linked with the business to allow of their separate existence when detached from that business.

Hanover Star Milling Co. v. Metcalf, 240 U. S. 403, 413.

Falk v. American West Indies Trading Company, 180 N. Y. 445.

The decision of this court in *Bourjois & Co. v. Katzel*, 260 U. S. 689 is wholly consistent with the view there maintained. It was there held that the trade-mark registered in the United States Patent Office had become appurtenant to the local American business and that such trade-mark was sold, and could only be sold, with the good-will of the business that the plaintiff bought.

The trade-marks here were inseparable appurtenances to the Manila business by which they had been created, through which they had grown to great proportions and with which they had become indissolubly linked. Unless in fact they had become detached from Manila they could not begin to have a separate, distinctive and competitive character. Certainly the burden was on plaintiff herein to prove that the trade-marks were no longer appurtenant to Manila. The record is barren of any such proof. *It is conceded that at all times both factories' products were concurrently sold in the same markets. This fact negatives the possibility that*

as to any given territory the trade-marks had become associated with Hongkong so as to supersede Manila.

The Philippine judgment does no injustice to Ingenohl. He never repudiated or attacked the sale by the Alien Property Custodian. He applied for the proceeds thereunder and promptly received them in the amount of \$1,511,124.50. Having received the proceeds of the sale, he now claims that all that the Custodian sold was 5% of the business and that he now owns, in conformity with the Hongkong judgment, 95% of the business. Such a claim is on its face leonine and evokes no sympathetic response.

Plaintiff thus paid over one million and a half dollars for an exporting business which could not export, a going concern which could not go. It is, therefore, of little wonder that the Shanghai Court says:

"It is this reputation that Ingenohl, the plaintiff, seeks to keep for his Hongkong made cigars. I must confess that when one stresses the differences in this matter one might have expected the case to be framed the other way; to have had a claim by the Manila factory for protection of a reputation for its products gained since 1882 and not a claim by the Hongkong factory for one gained only since 1910 or 1911."

The persuasive eloquence of distinguished counsel in evoking sympathy for Ingenohl must fail in view of the salient facts of the case. This plea of "the poor Belgian" for sympathy by reason of the seizure of his property by the Alien Property Custodian is adequately answered by the statement of the Supreme Court of Shanghai:

"This matter, (title to the trade-marks) is important to the parties concerned. It is shown by the facts that the output of the cigar factory in Manila used to be from thirty to forty million cigars a year. The present owners of

that factory asked for the supply to one distributing agency in China of twenty-four million cigars in one year, and the dispute of these trade-marks has been one of the contributing causes of failure, and a heavy failure, to Messrs. Olsen & Co., the present owners of the factory."

If there has been any such spoliation as excites distinguished counsel to compare the story of Ingenohl to that of "Naboth's Vineyard," the spoliation and destruction would seem to be the other way around.

If the Hongkong judgment was right, the Alien Property Custodian sold to defendant the husks and reserved for Ingenohl the kernel of the business with an added \$1,500,000 to further aliment such business. Well may Ingenohl have welcomed the intervention of the Alien Property Custodian resulting in his retaining 95% of his business, receiving this very considerable sum of money and leaving defendant to failure because he had relied upon the conveyance of an export business as a going concern, only to learn that the concern could not go anywhere.

The Hongkong consumer says plaintiff's counsel speaking of the Hongkong judgment

"should not be imposed upon by a cigar, which they had long bought under a given trade-mark as the product of Ingenohl, when in fact, it is no longer manufactured by Ingenohl" (Petitioner's brief, p. 46).

Quite the contrary since the cigar was always the product of Manila and of the Manila factory, and the Manila factory without its good will and trade-marks was a carcass without a soul, a thing without value, the transfer by the Alien Property Custodian to defendant a mere scrap of paper for which he parted with \$1,511,124.50 and started on the road to commercial ruin. The Supreme Court of Shanghai, differing from dis-

tinguished counsel for appellant, is quite right in concluding, that:

“This case is not a question of any sympathy for one side or the other. It is a matter of legal right to use the marks.”

CONCLUSION.

- (a) The court was without jurisdiction, the amount not exceeding \$25,000.
- (b) The Hongkong judgment was reviewable on the merits by the Philippine courts under Section 311 of the Code of Procedure.
- (c) The judgment of the Supreme Court on the merits was justified. The assignment by the Alien Property Custodian must, upon the facts of this case, be held to include the good will and the trade-marks of this great export business everywhere.
- (d) No question arises as to the validity of the seizure, (*Central Trust Company v. Garvan*, 254 U. S. 554).

Ingenohl never has questioned its validity and was content to receive the proceeds of the sale. Counsel cannot advance his case by now attacking the seizure. The Alien Property Custodian did sell and had power to sell these trade-marks. He sold all the trade-marks that belonged to the business and were inherent in and inseparable from it as a great exporting concern.

The Hongkong judgment was wrong and was properly reviewable upon the merits by the courts of the Philippine Islands.

January 15, 1927.

FREDERIC R. COUDERT,
FREDERIC R. COUDERT, JR.,
ALLISON D. GIBBS,

Counsel.

APPENDIX "A"

**Decision of the British Supreme Court
of Shanghai**

(as reported by *The North-China Daily News* of Shanghai, Thursday, April 23, 1925.)

155 N. C. Herald, 154 (New Series)

MANILA CIGAR TRADE MARKS CASE

Sequel to an Enemy Property Sale: Belgian Plaintiff
and American Defendant in H. M. Supreme Court.

DEFENDANTS' TRADE MARK RIGHTS IN CHINA.

Judgment in the action brought by Mr. Carl Ingenohl, a Belgian subject, against Messrs. Wing On, of Shanghai, a British Company, to restrain the latter from using certain cigar trade marks, was given in H. M. Supreme Court yesterday by his Honour, Judge Sir Skinner Turner.

At the outbreak of war in 1914, plaintiff was the proprietor of an extensive cigar manufacturing business in Manila and, as it was understood he was a German subject, the property passed into the possession of the American Custodian of Enemy Property and was in due course sold to Messrs. Olsen & Co., an American corporation. Plaintiff subsequently established the fact that he was a Belgian subject, and accordingly the sale price of the business was refunded to him. His present claim to exclusive use of the original trade marks is based on the contention that, with the sale of

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the property to Messrs. Olsen, only the rights to the usage of the trade marks in the Philippine Islands passed to them, and that no extra-territorial rights to their use were conferred. The action was brought against Messrs. Wing On as being the sole, or principal, distributors of the cigars in China for Messrs. Olsen, the trade being a very extensive one, many millions of the cigars in question being annually imported.

Mr. Duncan McNeill appeared for plaintiff and Mr. R. N. Macleod for defendants.

AN UNUSUAL ACTION.

His Lordship said:—This is an important and, in many respects, novel action. It arises out of the war measure taken by the U. S. A. in the Philippine Islands, and considerable consequences are involved. In one aspect or another of the dispute, the parties have been before the Supreme Court in Hongkong and the Courts (including the Appeal Court) in Manila, and differences of judicial opinion have been shown. The case in Hongkong is reported in 17, Hongkong L. R. 4, (1922), and that judgment is now final: in Manila the Court of Appeal decision has been made (Exhibit "S") in this case, and I am told it is under a further appeal. Of course neither of these decisions is binding upon this Court, but both are to be treated with that respect and courtesy which is always shown to the judgments of a foreign Court of competent jurisdiction.

In the case before me the position is peculiar: this Court sitting under a Treaty with China exercises jurisdiction at the suit of nationals of all countries over British subjects; and we find here a British Company (Wing On Co., Ltd.) as the (nominal) defendants. But the real party to the action is Messrs. Walter Olsen & Co., Inc., an American Company: therefore the plaintiff

being a Belgian citizen, this Court is in effect being asked to decide a dispute between a Belgian and an American—neither subject, save by consent and submission, to the jurisdiction of this Court. And inasmuch as no attempt was made to get Messrs. Olsen on the record, that company has not in any way submitted to the jurisdiction of this Court; but it is the real defendant and has, I understand, indemnified the British Company defendants in the matter of costs.

The action is one of passing-off and involves a question of trade marks. It seems to me, therefore, that it clearly comes within the provisions of Article 4 of the China Order in Council, 1907, as being an action for the protection of a trade mark. It therefore becomes essential for the Court to be satisfied in one way or another that effectual provision exists for the protection of the trademarks of British subjects in the Belgian Consular Courts in China. This, as regards copyright, was clearly laid down by Bourne, *J.*, in the case of *de Jesus v. "N. C. D. News,"* (96 N. C. Herald, 1910, p. 109), and it lies upon the plaintiff to show this; unless there has been a notification (*i. e.*, a public notification) issued by His Majesty's Minister to the effect that an arrangement for this protection has been made between His Majesty's Government and the Government of the State to which the plaintiff belongs: of such a notification this Court takes judicial notice. As Bourne, *J.*, laid down in the copyright case, this Court may be satisfied by the production of a certificate under the hand and seal of the Judge of the Consular Court concerned in China: and I have accepted one in this case from the Judge of the Belgian Court in the following terms (Exhibit "J") dated February 25, 1925:—

"I, Joseph d'Hondt, Acting Consul-General for Belgium and Judge of the Belgian Consular Court at Shanghai, hereby certify that effec-

tual provision exists for the protection in this Court and other Belgian Consular Courts in China of the rights and interests of British subjects in trade marks infringed by Belgian subjects or protégés."

NO FRAUD, BUT A QUESTION OF RIGHTS.

Now this case is brought as a passing-off action relating to cigars: upon the right of every trader to protect his property and to prevent attempts by other traders to avail themselves of his reputation to pass off their goods as his (see *Imperial Tobacco Co. v. Bonnon*, 1924, A. C. on page 759). No fraud is alleged or suggested in the use of the trade-marks concerned: each side claiming the right to use them. No question need be considered by me as to the right of the present plaintiff to bring this case: it is conceded in this Court that, whatever may be the position of Ingenohl towards other persons associated with him in his business in Antwerp, he is the right person to sue here and much, therefore, of the expert evidence on Belgian law that was given need not be considered by me, as it had to be considered by the learned Chief Justice of Hong-kong. That this matter is important to the parties concerned is shown by the facts that the output of the cigar factory in Manila concerned in these proceedings used to be from 30 to 40 million cigars a year: that the present owners of that factory had in 1919 a contract for the supply to one distributing agency in China of 24 million cigars in one year, and that the dispute over these trademarks has been one of the contributing causes to the failure (and a heavy failure) of Messrs. Olsen & Co., the present owners of the factory. Now the facts are as follows, and I shall try not to omit any relevant matter.

THE HISTORY OF THE CASE.

The plaintiff, Ingenohl, a German by birth, became a naturalized Belgian in 1886: he took up the business of cigar making in Manila in about 1882, his own headquarters being in Antwerp. The business first belonged to a Société Anonyme (Limited Company), and the factory was in Manila. It commenced there about 1882, and the three trademarks really concerned ("Perla," "Cometa," and "Mundo") were originally registered in the name of the Company both in Manila and in Hongkong and probably elsewhere. There is no registration to cover this case in China. In 1905 the plaintiff became the proprietor of the business, purchasing it from the liquidator of the Société Anonyme: in 1909 he started a factory in Hongkong and in 1910 the three above-named marks, registered there in 1903 in the name of the Société Anonyme, were assigned in the Hongkong Register to "El Oriente, Fabrica de Tabacos, C. Ingenohl, Manila." These marks were registered in Class 45, "Tobacco manufactured or unmanufactured." Before 1909 the products of the Manila factory under these marks were well known in China, where there was a very large market for them. After a time the marks were used by the plaintiff for the products of his new Hongkong factory as well as for those of the original Manila factory. Such was the position up to the outbreak of war in 1914. It is perhaps not surprising that Ingenohl and his business came into suspicion amongst the allies then: and we find that he was placed upon the British Black List and a supervisor was appointed to the factory in Hongkong. On the entry of the U. S. A. into the war, the factory in Manila was taken over by the Custodian of Enemy Property; and under the legislation there in force was advertised for sale in December, 1918, and was actually

sold by auction to Messrs. Olsen & Co., Inc., in January, 1919.

Under the American legislation the utmost the original owner could get back from the U. S. Government was the price paid by the purchasers of the business sold: under no circumstances could he recover the business. At the conclusion of the war, Ingenohl, it is most interesting to note, demanded and obtained an inquiry into his conduct and affairs at the hands of his own (the Belgian Government): as a result of this inquiry, he was cleared of enemy character, and this finding was accepted by the Powers concerned: he was paid the purchase price of the Manila factory (he could not, under the law, get back the factory) and received back any other property that had been detained by the Governments of Great Britain, Belgium, and U. S. A.

THE PURCHASE OF TRADE MARKS.

The plaintiff now claims that he is the owner of these trademarks in China: that nothing that was done by the Custodian of Enemy Property in Manila had any extra-territorial effect and that just as he would have had protection in this Court for his marks prior to 1914, so he can have it now even against the purchaser of the business in Manila. The defendants, on the other hand, claim that, as purchasers of the business as a going concern with its goodwill and trademarks, they are entitled to use the marks in China, merely distinguishing themselves (as they have done, and as I believe is required by American Statute law) as the successors in business to the Ingenohl firm. It is not suggested that there is any "secret in the manufacture of the cigars sold under these marks." In so far as there is any peculiar process, it is equally known today to the Manila and to the Hongkong factory.

It is not denied that the plaintiff is the right person to sue here: it is not denied that the remedy sought in this action (once the requirements of the 1907 Order in Council are met) is the appropriate remedy. It is clear that the plaintiff, when he established his Hongkong factory and used these marks on its products, was attracting or endeavoring to attract to them some of the reputation that had been gained by the products of his Manila factory: and there is no doubt that the marks as originally used by him in Hongkong (see Exhibits "AA" and "BB,") were misleading, in that they undoubtedly suggested Manila as the place of origin of the cigars sold. And it is worth comment that the assignment in Hongkong of the marks in 1910 was not made in any way to the Hongkong factory; there was nothing in the transfer noted (Exhibit "E") to show that these marks were to be used for the products of the Hongkong factory; it was simply an assignment from the Société Anonyme to the Ingenohl firm (to use a general term) of Manila: and could no doubt have been made without any factory in Hongkong. It is to be remembered that there is nothing in the case before me in the nature of a counter-claim; nor indeed could I expect to find one. I shall as far as possible try to avoid in this judgment anything which might seem to touch upon the rights of other extra-territorial Courts in this country of China.

Now the first thing that appears is that on the pleadings the duty is cast upon the plaintiff to prove his case: to show that by the use of these marks or by the general get up of these cigars the defendants are endeavoring to pass off their goods as being the goods of the plaintiff. Then there is no doubt, and in this matter, I think, the Court must be entitled to speak without any evidence from the parties deceived, that a purchaser might from the labels used on the boxes

mistake the cigars from the Manila factory for those of the Hongkong factory or *vice versa*; a position which from sections 21 and 22 of the English Trade Marks Acts of 1905 and 1919 seem to be contemplated as possible in law. (I should mention here that the Trade Marks Act of 1919 makes an addition to Section 22 of the Act of 1905).

THE CONTRACT OF SALE

I have to turn to the contract of sale (Exhibit "L") between the Custodian and Messrs. Olsen, of January, 1919. This was between two American citizens made in the Philippine Islands, to be performed in the Philippine Islands. There can be no doubt that the interpretation of that contract is governed by American law; it is the "proper" law of the contract. I have no experts called on that matter, but I have a certified copy of a judgment (Exhibit "S") of an American Court dealing with this very contract, to which I am clearly entitled to look.

It is necessary to remember that the business of the Manila factory was almost entirely an export business. Some small part of the output (from 5 to 10 per cent) was for local trade; the rest (90 per cent to 95 per cent) was sold to agents for export to China, Hongkong, Australia, and elsewhere. Then the Manila factory had been at work since 1882, manufacturing and selling cigars under these three trade marks and acquiring a reputation for them; firstly the ownership being in a Société Anonyme, of which Ingenohl was sole Directing Administrator, and after 1905 in Ingenohl with a trade name of "El Oriente, Fabrica de Tabacos, C. Ingenohl, Manila." Thus the reputation of this manufacture was from 1882 to 1905 (23 years) in the Company and from 1905 to 1914 (9 years) in

Ingenohl. There can I think be no doubt that any right of protection in British Courts in China for these marks between 1882 and 1905 was at the suit of the Company: from 1905 to 1914 at the suit of Ingenohl: in other words that the transfer of the business by the liquidator in 1905 to Ingenohl was intended to give him and did give him the business and its trade marks. I quote from the translation affixed to Exhibit "K." "The Limited Company has transferred and transfers to Carl Ingenohl, merchant at Antwerp * * * trading under the style of El Oriente, Fabrica de Tabacos, C. Ingenohl, the whole of its industrial and commercial affairs both in Belgium and elsewhere, and more especially the manufacturing of cigars at Manila; at the same time the said Company transfers to him its trademarks and all its rights resulting from its applications to the effort of registering (*i. e.* for registration) and the registering of its marks, labels, ribbons and rings made in Belgium and in any other country."

This transfer clearly contemplated some extra-territorial effect, and it was so held in Hongkong, for the marks registered there in 1903 by the Limited Company were assigned to the "Ingenohl Firm of Manila" in 1910: and this was done to enable the Ingenohl firm of Manila to prosecute for offences in Hongkong connected with the products of the Manila factory. It is in evidence that at first the Hongkong factory sold their products under the name of "Grand Asia"; it was not till after the lapse of a year at least that they were sold under the marks concerned in this case; in addition, marks other than the three concerned in this case were registered in Hongkong in the name of the "*Orient Tobacco Manufactory, C. Ingenohl, Mongkok in the Colony of Hongkong*" by which name the plaintiff traded in Hongkong (see Hongkong judgment, page 13). In other words, in 1910 these three

marks were registered in Hongkong in connection with the business in Manila, and not in connection with the business in Hongkong: even though the two businesses were the same ownership, and that fact was known to the Registrar of Trade Marks in Hongkong: while the plaintiff has all along insisted that the business in Hongkong was quite independent of the business in Manila.

SALE RIGHTS NOT CONFINED TO PHILIPPINES

I come now to the sale by the Custodian of Enemy Property in Manila in January, 1919. I have already said this contract has to be construed by American law. Now what was sold? It was "the property, real and personal, rights, etc. * * * wherever situate in the Philippine Islands and all incidents and appurtenances thereto including the business as a going concern and the goodwill, trade name and trade marks thereof of Syndicat Oriente, a Company * * * heretofore doing business in the Philippine Islands under the name of "El Oriente, Fabrica de Tabacos, C. Ingenohl," and any "interest in the foregoing which may belong to Carlos Francisco Adolfo Otto Ingenohl" (the present plaintiff). It is suggested that all that was sold or purported to be sold there was the business in the Philippine Islands: and that such sale could not affect outside the Philippine Islands including, I suppose, the U. S. A. I do not agree with this contention: when I know that in China the products of this factory under these three marks had obtained a great reputation, and that 90 per cent of the output of this factory was exported from the Philippine Islands, it seems to me an unreasonable contention to say that the contract itself was not intended to have any effect outside the Philippine Islands. *In my judgment, the Custodian*

sold to Messrs. Olsen the business (which must include the export business) as a going concern, with the rights to the trademarks of that business in the Philippine Islands and in other places in so far as the laws of such places will uphold these rights (Italics ours). I see nothing in the contract, when knowing the nature of the business, to lead me to the conclusion that nothing was sold save the right to use the trademarks in the Philippine Islands only: (assuming it had to be interpreted by English law). And the Court of Appeal in the Philippine Islands takes this view of the contract of sale interpreting it in the light of American Laws:

I quote from that judgment:—"The conveyance in question must be construed as intended to convey to Messrs. Olsen & Co. all property which either Ingenohl or his Company had within the jurisdiction of the United States. * * * We hold that the trademarks and trade names in question were a part of the Company's business in the Philippine Islands and that Messrs. Olsen & Co. acquired title to the use and enjoyment of them by its deed of conveyance not only in the Philippine Islands but in all foreign countries in the same manner and to the same extent that they were used by the Company and Ingenohl, prior to the time that their property was seized by the United States. That the right and title to all such trademarks and to their use passed by the conveyance made to Messrs. Olsen & Co."

Such is the construction put upon this contract by the majority of the Supreme Court in the Philippine Islands sitting in Appeal: such was the construction put upon the contract of sale in Mumm's case by the Comptroller General; and such must have been the meaning of a similar contract of sale of the Manila factory if made by Ingenohl as a voluntary act; and it seems to me that it is the construction that I should

put upon it, were I to apply English Law to the document, subject only to this qualification: the right to use and enjoyment of the marks in foreign countries must be subject to the laws and Court of these countries; and so we find that the Supreme Court of Hongkong has not allowed this right to Messrs. Olsen & Co., in the Colony of Hongkong, for the reasons set out in full in its judgment reported in 17, Hongkong L. R., page 4. I see nothing in the contract itself to lead me to the conclusion that it was intended only to have reference to the use of these marks in the Philippine Islands.

THE CASE OF THE CARTHUSIAN MONKS

But it is said that to give effect to this construction in a British Court in China would be to give effect to the Penal Legislation of the U. S. A. and that British Courts will never do this. I am referred to Dicey: (Conflict of Laws, 2nd Ed., Rule 40 on page 207), and to the case of *Rey v. Lecouturier* (1908, 2 Ch. 722 and 1910 2 A. C. 262). I do not doubt the properties as stated by Dicey; but the answer to this is that the measures taken by the U. S. A. as a result of which this sale was made in January, 1919, do not come within that doctrine at all. If they did, so would decisions of Prize Courts, and that has never been suggested. The case of *Huntington v. Attrill* (1893 A. C. 150) lays down the class of cases to which that doctrine applies; and that decision expressly accepts the law as laid down in the U. S. A. The Privy Council accepted the following exposition of the law as providing the test for ascertaining whether an action is penal within the meaning of the rule:—"The rule that the Courts of no country execute the law of another applies not only to prosecutions and sentences for crimes and misde-

meanors, but to all suits in favor of the State for the recovery of pecuniary penalties for any violation of statutes for the protection of its revenues or other municipal laws, and to all judgments for such penalties." Such a test excludes the case before me. Then as to the case of *Rey v. Le Couturier*; the "*Chartreuse*" case; which the learned Chief Justice of Hongkong held conclusive as to this matter in Hongkong. In the first place it is noted that it was on all sides held that the *French Law of Associations depriving the Carthusian Monks of their property in France was a penal law* (Italics ours): and was not even in France considered to have had any extraterritorial effect: see report in 1910, 2 A. C. on pages 265, 268 and 271. But to my mind the more I read that case both in the Court of Appeal and in the House of Lords, the more I am impressed with the fact that it really turned upon the possession by the monks of a secret process of manufacture which had not been, and in fact could not have been seized or confiscated under the Law of Associations. That secret the monks retained: without it the purchaser of the business from the liquidator could not carry it on; could not in fact deliver the liqueurs made by the monks and sold by them under their marks. The liquidator never had "the business" to sell; the purchasers could not therefore acquire it. And the American Courts held the same, while the strength of this view of the matter was noted by the Judge who tried the case of *Baglin v. Cusenier Co.*; 156 Fed. and 1016:—Some strength might be found in defendant's argument had the receiver (liquidator) become possessed of the business that produced the product indicated by the trademark. This he did not do. When the monks fled from the rigor of the French Law they took their business with them." See also 27 Halsbury on page 761; note (d) to paragraph 1342. Recently too in

England (in a case the report of which I regret I have not before me, but which is given in a full note in Mews' Digest, 1922, Col. 338 and L. R. Digest, 1922, Col. 538; see also 27 Halsbury Supplement for 1924 on page 1784), it has been held by the Comptroller General of Trade Marks that (1) the consequences of the war legislation of an ally (France) can be enforced in England and cannot, therefore, come within the doctrine of Enforcement of the penal legislation of a foreign country by an English Court; and (2) there being no secret as alleged by the Mumm firm in the process of manufacture of their champagne at Rheims in France, the sale by the sequestrator of that business under French War legislation carried with it the right to the registration in England of the trademarks formerly registered by the Mumm firm: even though that firm had started business in Switzerland. And Mumm & Co. were refused registration with the new address in Switzerland. In *re Mumm & Co.'s Application* 39, R. P. C. 279, I find it impossible to believe that neither the doctrine as to penal legislation being unenforceable in an English Court nor the case of *Rey v. Lecouturier* were considered by the Comptroller General. Another finding in that case was that the goodwill of the Rheims business, as far as it related to the export trade, was indissolubly connected with the French business. That case is remarkably like the one before me; and it seems to me that, apart from the existence of the Hongkong factory, the Ingenohl mark in England must have been assigned under that judgment to Messrs. Olsen & Co.

MESSRS. OLSEN'S RIGHTS IN CHINA

I hold that as far as the market in China is concerned, that contract of sale of January, 1919, intended and purported to convey to Messrs. Olsen & Co. the

use and enjoyment in China of the trademarks, such as had been used and enjoyed by the Ingenohl firm as proprietors of the Manila factory up to that time: and that there is nothing in English law to prevent effect being given to that in English Courts; that administering English law here, it would therefore be open to me in proper cases to give protection to those marks as against infringement by British subjects. In other words that, apart from the existence of the Ingenohl factory in Hongkong, protection would be given here at the suit of Messrs. Olsen & Co. for infringement of the marks assigned to them in the sale of January, 1919.

But, says the plaintiff, Ingenohl, "I have a cigar business in Hongkong founded before the war; independent of the Manila business: I have used and am using these marks in connection with my Hongkong factory products; I have made a reputation for them, and I am entitled to protection for their reputation which is being harmed by the user of these marks on the products of a Manila factory." Had the Hongkong factory been started when the Manila factory was seized by the U. S. A. authorities, I doubt not that the *Mumm* case would have left no claim at all. Does the fact that it was started in 1909 or 1910 make any difference?

I have therefore to turn to the claim here and see what it really is. This is a passing off action: the claim of a trader whose goods (cigars) are being imitated so closely by a rival trader as to lead the public to think that it is purchasing his goods, to have imitation stopped. It is a claim by Ingenohl as the proprietor of the Hongkong factory to prevent the sale in China of cigars under marks leading the public to believe them to be the product of that Hongkong factory. It is not a question of any sympathy for one side or

the other: it is a matter of legal right to use the marks; the plaintiff for his Hongkong made cigars and the defendant for his Manila made cigars. I am not aware that any such case has occurred before. It is necessary therefore to consider closely the facts.

MANILA REPUTATION FOR HONGKONG CIGARS

There can be no doubt, from a mere glance at the marks as used, that confusion may arise in the mind of a purchaser; one has only to look at Exhibits "AA" and "DD" to see that a man who wants to buy a Hongkong made Perla might get a Manila made Perla, and vice versa. This follows when it is remembered that the marks used by the parties are in fact the same marks: one is not an imitation of the other. Again it is agreed that the Manila factory is today producing the same article as it produced under the proprietorship of Ingenohl: the articles which earned from 1882 to 1919 the great reputation of these cigars in China, which the plaintiff has endeavored and is endeavoring to transfer to his Hongkong factory and its products. And what is that reputation? It is suggested that it is a reputation of the Ingenohl firm as makers of cigars anywhere; but I do not agree. It seems to me that it is a reputation for the products of a factory in Manila owned by the Ingenohl firm; a reputation for a cigar made in Manila of Manila tobacco at the factory of "El Oriente, Fabrica de Tabacos, C. Ingenohl, Manila." And it was this reputation that led to the making of the contract of 1919 (Exhibit "T") for 24,000,000 of these cigars to be supplied in one year for sale in China. It is this reputation that Ingenohl, the plaintiff, seeks to keep for his Hongkong made cigars. I must confess that when one considers the dates in this matter one might have

expected the case to be framed the other way: to have had a claim by the Manila factory for protection for a reputation for its products gained since 1882 and not a claim by the Hongkong factory for one gained only since 1910 or 1911.

In order to test the plaintiff's right to relief, I have to consider what happened. For reasons of his own Ingenohl started the Hongkong factory in 1909 or 1910: he used Manila tobacco treated as it was treated in his Manila factory and purchased from there: he manufactured his cigars in the same manner as in Manila. They were marketed at first, for a year or so, as "Grand Asia": but presently he began to use the same marks as he was using for his Manila made cigars: at first without even removing the address of the factory from them: merely putting "Hongkong" in place of "Manila in two places: ultimately replacing the address of the factory in Manila by the address of the factory in Hongkong. He also quoted the price of his Hongkong made cigars in pesos, the currency of the Philippine Islands. He called his Hongkong factory "The Orient Tobacco Manufactory, C. Ingenohl, Hongkong": the Manila factory remaining as "El Oriente, Fabrica de Tabacos, C. Ingenohl, Manila" and he is insistent that the two concerns are independent of each other, though in the same ownership. It is noteworthy that the three marks in this case: registered originally in Hongkong in the name of Ingenohl's predecessor, the Société Anonyme: were assigned in 1910 to "El Oriente, Fabrica de Tabacos, C. Ingenohl, Manila" in order to protect the products of the Manila factory from imitation in Hongkong: and that while this assignment was going on, other marks were being registered in Hongkong as belonging to "The Orient Tobacco Manufactory, C. Ingenohl, Hongkong." After about one year Ingenohl endeavored to get for his

Hongkong made cigars some of the reputation which had been well earned by his Manila made cigars and began to use the same label on the boxes: and it is here that the value of the evidence as to the Hongkong made article is seen. I have considerable doubt in my mind after the evidence of Mr. Wunderlich and the fact that one customer at all events complained about the absence of the word "Manila" from the label, whether it is possible to make the same quality cigars in Hongkong as in Manila, just as it seems one cannot make the same quality cigar in Tampa or Key West as in Havana: and if this is so, the Hongkong made "Perla" is not the same quality as the Manila made "Perla"; it is not for me to say if it is as good or better. But the plaintiff not only used the Manila labels in 1911, or thereabout, for his Hongkong products: in 1919, on failure to sell his stock of labels printed for Manila, he sent these to Hongkong and had them used for the Hongkong products. And even in 1922, after the sale to Messrs. Olsen, is still quoting prices in pesos: and now his labels (Exhibit "EE") give his address as "El Oriente, Fabrica de Tabacos, Hongkong," which has never been the name of his Hongkong business. There can be no doubt, I think, from the labels themselves that manufacture in Manila forms the main idea underlying the pictorial representations: the scenes depicted, etc., etc.

I am not sure that, under these circumstances and under the authority of the case of *Newman v. Pinto* (4 R. P. C. 516), the plaintiff ought not to be refused the protection he asks in this Court on account of his own conduct: to my mind the labels so often used by him to get a reputation for his Hongkong cigars undoubtedly did represent manufacture in Manila: and save for the address of the Hongkong factory, which does not appear at all in the Register of Trademarks in Hongkong, the labels lead to that idea themselves.

JUDGMENT FOR DEFENDANT

But the action fails, as it seems to me on another ground: I can see no ground in fact for the suggestion that Messrs. Olsen, by legitimately using the labels of the Manila factory, are in any way "imitating" the labels of the Hongkong factory: they are the proper owners of the labels in the Philippine Islands with the business and reputation attached to them. They in no wise represent to the public that they cover a Hongkong made article: they do not represent to the public that the cigars are made by the Ingenohl firm: they describe themselves, the makers, as the "Successors" to that firm (a requirement, as I have stated, of American law). And I can see nothing to take, in China, from the lawful owner of the Manila factory protection for the reputation of the products of that factory which he has lawfully acquired nor to give protection to the products of the Hongkong factory at the expense of the Manila factory.

I therefore give judgment for defendants.

Mr. Macleod, for defendants, on the question of costs submitted this was a case in which the special scale under the Rules of Court should be made applicable.

His Lordship.—It seems to me that this case, having taken seven days in argument before me, is certainly one which comes within the Rule. I shall therefore allow costs under the special scale, and to be certified for two counsel. I thank the Bar for the assistance they gave me. Their arguments were not in any way presented at too great length, and they were of very great assistance.